

**RUDD-ROCKFORD-MARBLE ROCK  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2004

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**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

**OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**BOARD OF EDUCATION**

(Before September, 2003 Election)

Rick Demaray	President	2004
Gary O'Connor	Vice President	2004
Bill Dolan		2005
Ann Sullivan		2003
Scott Woodruff		2003

(After September, 2003 Election)

Gary O'Connor	President	2004
Rick Demaray		2004
Bill Dolan		2005
Lisa Paulus		2006
Pat Ronney	(Appointed February, 2004)	2004

**SCHOOL OFFICIALS**

Gary Schwartz	Superintendent
Janice Kuhlers	District Secretary/ Treasurer

## Independent Auditor's Report

To The Board of Education of the  
Rudd-Rockford-Marble Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District, Rockford, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Rudd-Rockford-Marble Rock Community School District as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 11 to the financial statements, during the year ended June 30, 2004, Rudd-Rockford-Marble Rock Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our reports dated November 11, 2004 on our consideration of Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 thru 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rudd-Rockford-Marble Rock Community School District's basic financial statements. We previously audited the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 11, 2004

# **RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Rudd-Rockford-Marble Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$4,338,855 in fiscal 2003 to \$4,439,515 in fiscal 2004, while General Fund expenditures increased from \$4,214,252 in fiscal year 2003 to \$4,531,093 in fiscal 2004.
- The increase in General Fund revenues was attributable to an increase in Federal grant activity. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance decreased over \$90,000 in the past fiscal year, a 13% decrease.
- A decline in interest rates during the past three fiscal years, combined with less cash available to be invested, resulted in a decrease in interest earnings.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are Government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the Government-wide statements.
- The statements for governmental funds explain how basic services, such as regular and special education, were financed in the short term, as well as what remains for future spending.
- The statement for proprietary funds offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

*Figure A-1*  
*Rudd-Rockford-Marble Rock Community School District*

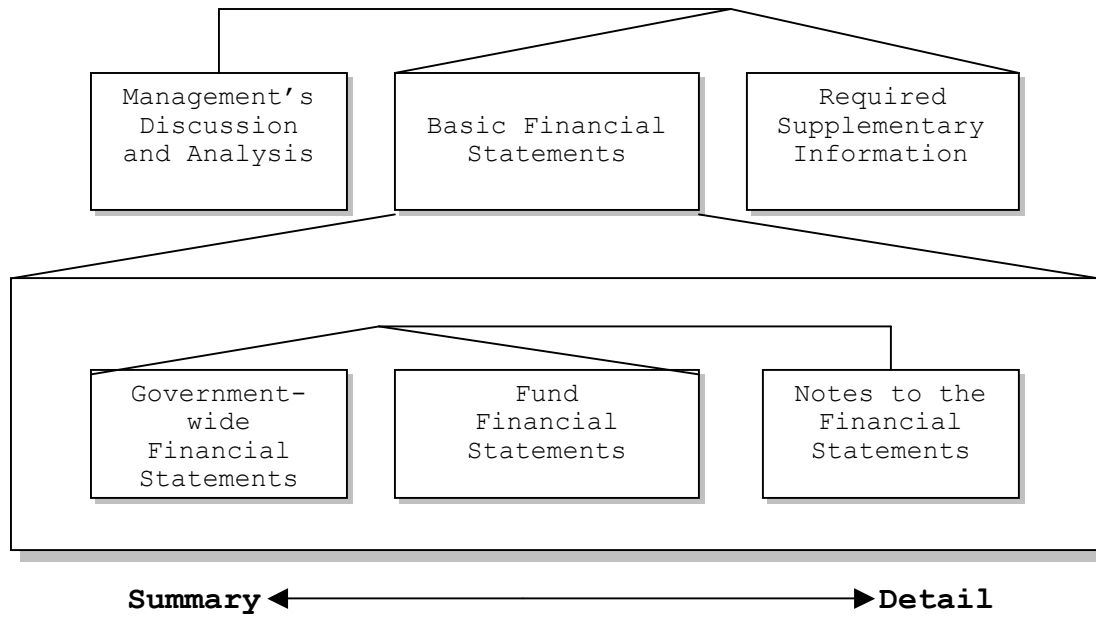


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2**

**Major Features of the Government-Wide and Fund Financial Statements**

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- **Governmental activities:** Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid, finance most of these activities.
- **Business-type activities:** The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) **Governmental funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.
- 2) **Proprietary funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	<b>Governmental</b>		<b>Business-type</b>		<b>Total</b>		<b>Percentage</b>
	<b>Activities</b>		<b>Activities</b>		<b>School District</b>		<b>Change</b>
	<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>		<b>June 30,</b>
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
	\$	\$	\$	\$	\$	\$	
Current assets	3,151	3,191	15	41	3,166	3,232	-2.04%
Capital assets	<u>2,967</u>	<u>3,103</u>	<u>7</u>	<u>-</u>	<u>2,974</u>	<u>3,103</u>	<u>-4.16%</u>
<b>Total assets</b>	<u>6,118</u>	<u>6,294</u>	<u>22</u>	<u>41</u>	<u>6,140</u>	<u>6,335</u>	<u>-3.08%</u>
Current liabilities	2,231	2,232	51	51	2,282	2,283	-0.04%
Non-current liabilities	<u>1,075</u>	<u>1,260</u>	<u>-</u>	<u>-</u>	<u>1,075</u>	<u>1,260</u>	<u>-14.68%</u>
<b>Total liabilities</b>	<u>3,306</u>	<u>3,492</u>	<u>51</u>	<u>51</u>	<u>3,357</u>	<u>3,543</u>	<u>-5.25%</u>
Net Assets							
Invested in capital assets, net of related debt	1,892	1,843	7	-	1,899	1,843	3.04%
Restricted	361	218	-	-	361	218	65.60%
Unrestricted	<u>559</u>	<u>741</u>	<u>(36)</u>	<u>(10)</u>	<u>523</u>	<u>731</u>	<u>-28.45%</u>
<b>Total net assets</b>	<u>2,812</u>	<u>2,802</u>	<u>(29)</u>	<u>(10)</u>	<u>2,783</u>	<u>2,792</u>	<u>-0.32%</u>

The District's combined net assets were less at June 30, 2004 than June 30, 2003. The decrease occurred as a combined result of decreased tax revenue from all sources and increases in payroll in the General Fund. This was offset by the collection of local option sales tax money in the Capital Projects Fund.

Changes in net assets - figure A-4 shows the changes in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Change in Net Assets**  
**(expressed in thousands)**

	Governmental Activities	Business-type Activities	Total School District
	\$	\$	\$
Revenues:			
Program revenues:			
Charges for service and sales	250	131	381
Operating grants, contributions and restricted interest	724	110	834
General revenues:			
Property tax	2,146	-	2,146
Local option sales tax	216	-	216
Unrestricted state grants	1,940	-	1,940
Unrestricted investment earnings	13	-	13
Other	35	-	35
Total revenues	<u>5,324</u>	<u>241</u>	<u>5,565</u>
Program expenses:			
Governmental activities:			
Instruction	3,218	-	3,218
Support Services	1,759	-	1,759
Non-instructional programs	-	260	260
Other expenses	333	-	333
Total expenses	<u>5,310</u>	<u>260</u>	<u>5,570</u>
Change in net assets	<u>14</u>	<u>(19)</u>	<u>(5)</u>

Property tax and unrestricted state grants account for 73% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$5,324,598 and expenses were \$5,360,271.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<b>Figure A-5</b>		
<b>Total and Net Cost of Governmental Activities</b>		
<b>(expressed in thousands)</b>		
	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>\$</b>	<b>\$</b>
Instruction	3,218	2,439
Support Services	1,759	1,749
Other expenses	<u>333</u>	<u>149</u>
Totals	<u>5,310</u>	<u>4,337</u>

- The cost financed by users of the District's programs was \$249,453.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$550,414.
- The net cost of governmental activities was financed with \$2,147,087 in property tax, \$1,940,076 in state foundation aid, and \$13,083 in interest income.

## Business-Type Activities

Revenues of the District's School Nutrition Fund were \$241,295 and expenses were \$260,127. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Rudd-Rockford-Marble Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of 2,811,564, a one percent increase under last year's ending fund balances of \$2,797,592. The primary reason was collection of local option sales tax.

## Governmental Fund Highlights

- The District's General Fund balance decreased due to funding cuts by the State of Iowa in mid-year, discontinuance of Phase III funding and decreased investment income. The District also increased expenditures primarily in the area of payroll and related benefits.
- The District's Capital Projects collected over \$200,000 in local option sales tax. The District has not yet determined future uses of these funds.
- The District used monies saved in the Physical Plant and Equipment Levy to make improvements of over \$250,000 to the District's facilities.

## Proprietary Fund Highlights

The District's Nutrition Fund decreased as a result of decreased participation and increased food costs.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 35 and 36.

### Legal Budgetary Highlights

The District's receipts were \$80,801 less than budgeted receipts, a variance of 1%. The most significant variance resulted from the District receiving less in state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested almost \$3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 4% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$136,750.

The original cost of the District's capital assets was \$4,934,268. Governmental funds account for \$4,832,847, with the remainder of \$101,421 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Condensed Statement of Net Assets**  
**(expressed in thousands)**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
	\$	\$	\$	\$	\$	\$	
Land	1	1	-	-	1	1	0.00%
Site improvements	14	17	-	-	14	17	-17.65%
Buildings	2,779	2,856	-	-	2,779	2,856	-2.70%
Furniture and equipment	173	229	7	-	180	229	-21.40%
Totals	<u>2,967</u>	<u>3,103</u>	<u>7</u>	<u>-</u>	<u>2,974</u>	<u>3,103</u>	<u>-4.16%</u>

## Long-Term Debt

At June 30, 2004, the District had \$1,075,000 in general obligation bonds payable. This represents a decrease of approximately 15% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 7 to the financial statements. The notes will be fully paid off in FY09.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(expressed in thousands)**

<b>Total</b>		<b>Total</b>
<b>District</b>		<b>Change</b>
<b>June 30,</b>		<b>June 30,</b>
<b>2004</b>	<b>2003</b>	<b>2003-2004</b>
\$	\$	
General obligation bonds	<u>1,075</u>	<u>1,260</u> <u>-14.68%</u>

## FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District enjoys a solvency ratio of 14%. This allows some security from future state aid cuts that come after the budget year is already started. Maintenance of a healthy solvency ratio will be critical to the District's financial future.
- For the 2003-04 school year the state cut the District's budget by 2.5%. This was an across the board cut, effecting Phase I & II and Teacher Compensation as well as other areas. This will force the District to make cuts, or use some of the cash on hand. Future state aid cuts have also been discussed. Cuts made during the fiscal year negatively impact the District's balances as adequate expense reductions are not possible.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jan Kuhlert, District Secretary, Rudd-Rockford-Marble Rock Community School District, 1460 Highway 147, Rockford, IA 50468.

## Basic Financial Statements

## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2004

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
<b>Assets</b>			
Cash and pooled investments	806,082	7,573	813,655
Receivables:			
Property tax:			
Current year	33,368	-	33,368
Succeeding year	2,144,235	-	2,144,235
Interfund receivable	50,900	-	50,900
Other receivables	115,881	-	115,881
Inventories	-	6,796	6,796
Capital assets, net of accumulated depreciation	2,967,362	7,457	2,974,819
<b>Total assets</b>	<b>6,117,828</b>	<b>21,826</b>	<b>6,139,654</b>
<b>Liabilities</b>			
Accounts payable	82,695	-	82,695
Accrued interest payable	4,334	-	4,334
Interfund payable	-	50,900	50,900
Deferred revenue:			
Succeeding year property tax	2,144,235	-	2,144,235
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	195,000	-	195,000
Portion due after one year:			
General obligation bonds payable	880,000	-	880,000
<b>Total liabilities</b>	<b>3,306,264</b>	<b>50,900</b>	<b>3,357,164</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,892,362	7,457	1,899,819
Restricted for:			
Student activities	45,736	-	45,736
Physical plant and equipment levy	98,403	-	98,403
Capital projects	217,059	-	217,059
Unrestricted	558,004	(36,531)	521,473
<b>Total net assets</b>	<b>2,811,564</b>	<b>(29,074)</b>	<b>2,782,490</b>

See notes to financial statements.



## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2004

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	2,217,616	163,775	172,207	(1,881,634)	-	(1,881,634)
Special instruction	606,816	85,678	183,982	(337,156)	-	(337,156)
Other instruction	393,893	-	173,297	(220,596)	-	(220,596)
	<u>3,218,325</u>	<u>249,453</u>	<u>529,486</u>	<u>(2,439,386)</u>	<u>-</u>	<u>(2,439,386)</u>
Support services:						
Student services	75,534	-	3,759	(71,775)	-	(71,775)
Instructional staff services	147,958	-	-	(147,958)	-	(147,958)
Administration services	510,484	-	-	(510,484)	-	(510,484)
Operation and maintenance of plant services	733,283	-	3,603	(729,680)	-	(729,680)
Transportation services	291,891	-	2,750	(289,141)	-	(289,141)
	<u>1,759,150</u>	<u>-</u>	<u>10,112</u>	<u>(1,749,038)</u>	<u>-</u>	<u>(1,749,038)</u>
Other expenditures:						
AEA flowthrough	183,521	-	183,521	-	-	-
Long-term debt interest	59,893	-	983	(58,910)	-	(58,910)
Long-term debt services	300	-	-	(300)	-	(300)
Depreciation (unallocated) *	89,437	-	-	(89,437)	-	(89,437)
	<u>333,151</u>	<u>-</u>	<u>184,504</u>	<u>(148,647)</u>	<u>-</u>	<u>(148,647)</u>
Total governmental activities	5,310,626	249,453	724,102	(4,337,071)	-	(4,337,071)

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2004

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs:						
Nutrition services	260,127	131,192	110,103	-	(18,832)	(18,832)
Total	<u>5,570,753</u>	<u>380,645</u>	<u>834,205</u>	(4,337,071)	(18,832)	(4,355,903)
General revenues:						
Property tax levied for:						
General purposes				1,651,842	-	1,651,842
Management				119,472	-	119,472
Capital outlay				165,438	-	165,438
Debt service				210,335	-	210,335
School Infrastructure Local Option Sales Tax				216,000	-	216,000
Unrestricted state grants				1,940,076	-	1,940,076
Unrestricted investment earnings				13,083	-	13,083
Other				34,797	-	34,797
Total general revenue				<u>4,351,043</u>	-	<u>4,351,043</u>
Change in net assets				13,972	(18,832)	(4,860)
Net assets beginning of year, as restated (note 11)				<u>2,797,592</u>	<u>(10,242)</u>	<u>2,787,350</u>
Net assets end of year				<u>2,811,564</u>	<u>(29,074)</u>	<u>2,782,490</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Balance Sheet

## Governmental Funds

June 30, 2004

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Cash and pooled investments	523,034	-	141,154	96,158	45,736	806,082
Receivables:						
Property tax:						
Current year	26,632	2,846	-	2,245	1,645	33,368
Succeeding year	1,624,445	257,188	-	142,602	120,000	2,144,235
Interfund receivable	71,284	-	54,331	-	-	125,615
Other receivables	94,307	-	21,574	-	-	115,881
<b>Total assets</b>	<u>2,339,702</u>	<u>260,034</u>	<u>217,059</u>	<u>241,005</u>	<u>167,381</u>	<u>3,225,181</u>
<b>Liabilities and Fund Balance</b>						
Liabilities:						
Accounts payable	82,695	-	-	-	-	82,695
Interfund payable	-	54,331	-	-	20,384	74,715
Deferred revenue:						
Succeeding year property tax	1,624,445	257,188	-	142,602	120,000	2,144,235
Total liabilities	<u>1,707,140</u>	<u>311,519</u>	<u>-</u>	<u>142,602</u>	<u>140,384</u>	<u>2,301,645</u>
Fund balances:						
Reserved for debt service	-	(51,485)	-	-	-	(51,485)
Reserved for capital projects	-	-	217,059	-	-	217,059
Unreserved	632,562	-	-	98,403	26,997	757,962
Total fund equity and other credits	<u>632,562</u>	<u>(51,485)</u>	<u>217,059</u>	<u>98,403</u>	<u>26,997</u>	<u>923,536</u>
<b>Total liabilities and fund balances</b>	<u>2,339,702</u>	<u>260,034</u>	<u>217,059</u>	<u>241,005</u>	<u>167,381</u>	<u>3,225,181</u>

See notes to financial statements.

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 923,536
<b>Amounts reported for governmental activities in the statement of net assets are different because:</b>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	2,967,362
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(4,334)
Long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,075,000)</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u>\$ 2,811,564</u>

## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Statement of Revenues, Expenditures and Changes in Fund Balances

## Governmental Fund Types

Year ended June 30, 2004

	General	Debt Service	Capital Projects	Physical Plant and Equipment Levy	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources						
Local tax	1,651,842	210,335	216,000	165,438	119,472	2,363,087
Tuition	239,842	-	-	-	-	239,842
Other	57,656	850	1,059	1,756	169,858	231,179
State sources	2,298,335	133	-	105	77	2,298,650
Federal sources	191,840	-	-	-	-	191,840
Total revenues	<u>4,439,515</u>	<u>211,318</u>	<u>217,059</u>	<u>167,299</u>	<u>289,407</u>	<u>5,324,598</u>
Expenditures:						
Current:						
Instruction:						
Regular instruction	2,129,281	-	-	-	88,335	2,217,616
Special instruction	606,816	-	-	-	-	606,816
Other instruction	236,729	-	-	-	157,164	393,893
	<u>2,972,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,499</u>	<u>3,218,325</u>
Support services:						
Student services	75,534	-	-	-	-	75,534
Instructional staff services	147,958	-	-	-	-	147,958
Administration services	510,484	-	-	-	-	510,484
Operation and maintenance of plant services	395,514	-	-	259,761	78,008	733,283
Transportation services	245,256	-	-	-	-	245,256
	<u>1,374,746</u>	<u>-</u>	<u>-</u>	<u>259,761</u>	<u>78,008</u>	<u>1,712,515</u>
Other expenditures:						
AEA flowthrough	183,521	-	-	-	-	183,521
Long-term debt:						
Principal	-	185,000	-	-	-	185,000
Interest	-	60,610	-	-	-	60,610
Services	-	300	-	-	-	300
	<u>183,521</u>	<u>245,910</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,431</u>
Total expenditures	<u>4,531,093</u>	<u>245,910</u>	<u>-</u>	<u>259,761</u>	<u>323,507</u>	<u>5,360,271</u>
Excess (deficiency) of revenues over (under) expenditures	(91,578)	(34,592)	217,059	(92,462)	(34,100)	(35,673)
Fund balances beginning of year, as restated (note 11)	724,140	(16,893)	-	190,865	61,097	959,209
Fund balances end of year	<u>632,562</u>	<u>(51,485)</u>	<u>217,059</u>	<u>98,403</u>	<u>26,997</u>	<u>923,536</u>

See notes to financial statements.

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2004

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (35,673)

**Amounts reported for governmental activities in the  
statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amount of depreciation expense in the year is as follows:

Depreciation expense (136,072)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

General obligation bonds 185,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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**Change in net assets of governmental activities (Exhibit B)** \$ 13,972

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	\$
Operating revenue:	
Local sources:	
Charges for services	<u>131,192</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	89,195
Benefits	48,279
Services	1,281
Supplies	115,769
Property	4,835
Other	90
Depreciation	<u>678</u>
Total operating expenses	<u>260,127</u>
Operating (loss)	<u>(128,935)</u>
Non-operating revenues:	
State sources	3,860
Federal sources	105,815
Interest income	<u>428</u>
	<u>110,103</u>
Changes in net assets	(18,832)
Net assets beginning of year	<u>(10,242)</u>
Net assets end of year	<u><u>(29,074)</u></u>

See notes to financial statements.

## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Statement of Cash Flows

## Proprietary Fund

Year ended June 30, 2004

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	131,192
Cash payments to employees for services	(137,474)
Cash payments to suppliers for goods or services	(111,559)
Net cash (used in) operating activities	<u>(117,841)</u>
Cash flows from non-capital financing activities:	
State grants received	3,860
Federal grants received	92,582
Net cash provided by non-capital financing activities	<u>96,442</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(8,135)
Cash flows from investing activities:	
Interest on investments	<u>428</u>
Net (decrease) in cash and cash equivalents	(29,106)
Cash and cash equivalents beginning of year	<u>36,679</u>
Cash and cash equivalents end of year	<u><u>7,573</u></u>
<b>Reconciliation of operating income (loss) to net cash used in operating activities:</b>	
Operating (loss)	(128,935)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	678
Commodities used	13,233
(Increase) in inventory	(2,817)
	<u>(117,841)</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:</b>	
Current assets:	
Cash	<u><u>7,573</u></u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received federal commodities valued at \$13,233.

See notes to financial statements.



**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

**Notes to Financial Statements**

**June 30, 2004**

**(1) Summary of Significant Accounting Policies**

The Rudd-Rockford-Marble Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Rudd, Rockford and Marble Rock, Iowa, and agricultural territory in Cerro Gordo, Floyd and Mitchell Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Rudd-Rockford-Marble Rock Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Rudd-Rockford-Marble Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Floyd County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide financial statements - The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

#### C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa and grants from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	1,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2004.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2004.

**(3) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning of Year, as restated (note 11)	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 1,000	-	-	1,000
Capital assets being depreciated:				
Site Improvements	186,449	-	-	186,449
Buildings	3,851,660	-	-	3,851,660
Furniture and Equipment	793,738	-	-	793,738
Total capital assets being depreciated	4,831,847	-	-	4,831,847
Less accumulated depreciation for:				
Site Improvements	168,881	2,982	-	171,863
Buildings	995,821	77,264	-	1,073,085
Furniture and Equipment	564,711	55,826	-	620,537
Total accumulated depreciation	1,729,413	136,072	-	1,865,485
Total capital assets being depreciated, net	3,102,434	(136,072)	-	2,966,362
Governmental activities, capital assets, net	3,103,434	(136,072)	-	2,967,362
<b>Business type activities:</b>				
Furniture and equipment	93,286	8,135	-	101,421
Less accumulated depreciation	93,286	678	-	93,964
Business type activities capital assets, net	\$ -	7,457	-	7,457
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				46,635
Unallocated				89,437
				\$ 136,072
Business Type activities:				
Food service operations				\$ 678

**(4) Bonds Payable**

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	4.70%	\$ 195,000	52,008	247,008
2006	4.75	205,000	42,842	247,842
2007	4.80	210,000	33,105	243,105
2008	4.90	225,000	23,025	248,025
2009	5.00	<u>240,000</u>	<u>12,000</u>	<u>252,000</u>
Total		<u>\$1,075,000</u>	<u>162,980</u>	<u>1,237,980</u>

**(5) Changes in Long-Term Debt**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$1,260,000
Additions	-
Reductions	<u>185,000</u>
Balance end of year	<u>\$1,075,000</u>

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$150,305, \$146,911, and \$146,128 respectively, equal to the required contributions for each year.

**(7) Risk Management**

Rudd-Rockford-Marble Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$183,521 for year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Financial Condition**

The District's School Nutrition Fund had a deficit fund balance of \$29,074 at June 30, 2004. The District's Debt Service Fund had a deficit fund balance of \$51,485 at June 30, 2004.

**(10) Commitments**

The District approved bids on a Window replacement project in February, 2004. The work was performed in July and August, 2004. Total cost of the project (to be paid from the Physical Plant and Equipment Levy) approximated \$120,000.

**(11) Accounting Change**

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement Number 37, Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments; Omnibus were implemented during the fiscal year ending June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include District-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

Governmental Accounting Standards Board (GASB) Statement Number 38, Certain Financial Statement Note Disclosure, requires certain disclosures be made in the notes to the financial statements concurrent with the implementation of Statement Number 34.

The District-wide financial statements split the District's programs between business-type and governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	Fund				Total
	General	Debt Service	Physical Plant and Equipment Levy	Nonmajor Special Revenues	
Net assets, June 30, 2003, as previously reported	\$724,140	(16,893)	190,865	61,097	959,209
GASB Interpretation 6 adjustments	-	-	-	-	-
Net assets, July 1, 2003, as restated for governmental funds	<u>\$724,140</u>	<u>(16,893)</u>	<u>190,865</u>	<u>61,097</u>	959,209
GASB 34 adjustments:					
Capital assets, net of accumulated depreciation of \$1,729,413					3,103,434
Accrued interest payable					(5,051)
Long-Term Liabilities:					
General obligation bonds payable					<u>(1,260,000)</u>
Net assets, July 1, 2003, as restated					<u>\$ 2,797,592</u>



**(12) Interfund Receivables and Payables**

The detail of interfund receivables and payables at June 30, 2004 is as follows:

Receivable Fund	Payable Fund	Amount
General	School Nutrition	\$50,900
General	Special Revenue-Management Fund	\$20,384
Capital Projects	Debt Service	\$54,331

The General Fund has loaned the School Nutrition Fund \$50,900 to offset cash shortfalls. No repayment plan has been made.

The General Fund is deemed to have loaned the Management Fund \$20,384 to cover a cash shortfall in a joint checking account.

The Capital Projects Fund is deemed to have loaned the Debt Service Fund \$54,331 to cover a cash shortfall in a joint checking account.

## Required Supplementary Information

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual
	Actual	Actual	Actual	Original	Final	Variance -
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	2,747,150	131,620	2,878,770	2,955,935	2,955,935	(77,165)
State sources	2,298,650	3,860	2,302,510	2,434,568	2,434,568	(132,058)
Federal sources	191,840	92,582	284,422	156,000	156,000	128,422
Total receipts	5,237,640	228,062	5,465,702	5,546,503	5,546,503	(80,801)
Disbursements:						
Instruction	3,190,400	-	3,190,400	3,260,000	3,260,000	69,600
Support services	1,712,515	-	1,712,515	1,861,000	1,861,000	148,485
Non-instructional programs	-	257,168	257,168	299,927	299,927	42,759
Other expenditures	429,431	-	429,431	809,051	809,051	379,620
Total disbursements	5,332,346	257,168	5,589,514	6,229,978	6,229,978	640,464
Excess (deficiency) of receipts over (under) disbursements	(94,706)	(29,106)	(123,812)	(683,475)	(683,475)	559,663
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(94,706)	(29,106)	(123,812)	(683,475)	(683,475)	559,663
Balance beginning of year	900,788	36,679	937,467	981,723	981,723	(44,256)
Balance end of year	806,082	7,573	813,655	298,248	298,248	515,407

See accompanying independent auditor's report.

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2004

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	5,237,640	86,958	5,324,598
Expenditures	5,332,346	27,925	5,360,271
Net	(94,706)	59,033	(35,673)
Other financing sources (uses)	-	-	-
Beginning fund balances	900,788	58,421	959,209
Ending fund balances	<u>806,082</u>	<u>117,454</u>	<u>923,536</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	228,062	13,233	241,295
Expenditures	257,168	2,959	260,127
Net	(29,106)	10,274	(18,832)
Beginning fund balances	36,679	(46,921)	(10,242)
Ending fund balances	<u>7,573</u>	<u>(36,647)</u>	<u>(29,074)</u>

See accompanying independent auditor's report.

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

Disbursements did not exceed the amounts budgeted in any of the four function areas.

## Other Supplementary Information

## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Combining Balance Sheet

## Nonmajor Special Revenue Funds

June 30, 2004

	Management	Student	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Assets</b>			
Cash	-	45,736	45,736
Property tax receivable:			
Current year	1,645	-	1,645
Succeeding year	<u>120,000</u>	<u>-</u>	<u>120,000</u>
<b>Total assets</b>	<u>121,645</u>	<u>45,736</u>	<u>167,381</u>
<b>Liabilities and Fund Equity</b>			
Liabilities:			
Interfund payable	20,384	-	20,384
Deferred revenue:			
Succeeding year property tax	<u>120,000</u>	<u>-</u>	<u>120,000</u>
	<u>140,384</u>	<u>-</u>	<u>140,384</u>
Fund equity:			
Unreserved, undesignated fund balance	<u>(18,739)</u>	<u>45,736</u>	<u>26,997</u>
	<u>(18,739)</u>	<u>45,736</u>	<u>26,997</u>
<b>Total liabilities and fund equity</b>	<u>121,645</u>	<u>45,736</u>	<u>167,381</u>

See accompanying independent auditor's report.

**RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT**

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2004

	<u>Management</u>	<u>Student</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	119,472	-	119,472
Other	606	169,252	169,858
State sources	<u>77</u>	<u>-</u>	<u>77</u>
Total revenues	<u>120,155</u>	<u>169,252</u>	<u>289,407</u>
Expenditures:			
Instruction:			
Regular instruction	88,335	-	88,335
Co-curricular instruction	-	157,164	157,164
Support services:			
Plant operation and maintenance	<u>78,008</u>	<u>-</u>	<u>78,008</u>
Total expenditures	<u>166,343</u>	<u>157,164</u>	<u>323,507</u>
Excess (deficiency) of revenues over (under) expenditures	(46,188)	12,088	(34,100)
Fund balances beginning of year, as restated (note 11)	<u>27,449</u>	<u>33,648</u>	<u>61,097</u>
Balance end of year	<u><u>(18,739)</u></u>	<u><u>45,736</u></u>	<u><u>26,997</u></u>

See accompanying independent auditor's report.



## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2004

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Athletics	4,032	43,318	38,503	8,847
Cheerleaders	502	3,565	2,506	1,561
Concessions	-	14,463	14,463	-
Dance Team	795	256	147	904
Drama	732	3,316	1,590	2,458
FFA	3,280	28,112	26,322	5,070
Peer Mediation	27	-	-	27
MS Student Council	1,137	1,016	997	1,156
Instrumental Music	3,161	2,775	3,751	2,185
Music Trip	1	40,610	32,125	8,486
Vocal Music	5,164	1,771	4,028	2,907
Pepsi Account	76	-	-	76
Annual	3,206	5,691	8,871	26
R Club	269	-	-	269
SADD	573	-	87	486
Spanish Club	2,456	1,919	3,964	411
Speech	549	256	340	465
Student Council	5,176	5,440	4,344	6,272
Weightlifting	385	-	-	385
UN Model Group	9	2,076	1,814	271
RRMR Elementary	266	815	177	904
Class of 2004	1,695	974	2,485	184
Class of 2005	157	12,372	10,450	2,079
Class of 2006	-	307	150	157
Class of 2007	-	200	50	150
Total	33,648	169,252	157,164	45,736

See accompanying independent auditor's report.

## RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

## Schedule of Revenues by Source and Expenditures by Function

	Modified Accrual Basis			
	2004	2003	2002	2001
	\$	\$	\$	\$
Local sources:				
General	1,651,842	1,606,852	1,569,722	1,470,201
Special revenue/debt service	495,245	458,445	431,203	433,948
Capital projects	216,000	-	-	-
	<u>2,363,087</u>	<u>2,065,297</u>	<u>2,000,925</u>	<u>1,904,149</u>
State sources:				
General	2,298,335	2,348,906	2,088,049	2,475,355
Special revenue/debt service	315	300	301	316
School nutrition	3,860	4,115	4,207	4,354
	<u>2,298,335</u>	<u>2,353,321</u>	<u>2,092,557</u>	<u>2,480,025</u>
Federal sources:				
General	191,840	117,350	137,635	138,065
Special revenue/debt service	-	60,865	-	-
School nutrition	105,815	112,715	113,168	101,555
	<u>297,655</u>	<u>290,930</u>	<u>250,803</u>	<u>239,620</u>
Total	<u>4,959,077</u>	<u>4,709,548</u>	<u>4,344,285</u>	<u>4,623,794</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance and  
on Internal Control over Financial Reporting**

To the Board of Education of the  
Rudd-Rockford-Marble Rock Community School District:

We have audited the general purpose financial statements of the Rudd-Rockford-Marble Rock Community School District, as of and for the year ended June 30, 2004, and have issued our report thereon dated November 11, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Rudd-Rockford-Marble Rock Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the Accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the general purpose financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except 04-II-K.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Rudd-Rockford-Marble Rock Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Rudd-Rockford-Marble Rock Community School District and other parties to whom Rudd-Rockford-Marble Rock Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Rudd-Rockford-Marble Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

**BRUCE D. FRINK**  
**Certified Public Accountant**

November 11, 2004

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part I: Findings Related to the General Purpose Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

04-I-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We have noted the duties of the individual include: 1) preparation of checks, signing of checks, recording the transactions in the journals, and reconciling the bank; 2) receiving cash receipts, preparing the receipt, making up the bank deposit, and recording the transaction in the journals.

Recommendation - We realize that with a limited number of administrative employees, segregation of duties to eliminate incompatible duties is difficult. We also realize the job description, as defined by the Code of Iowa, of certain members of the administrative staff make the segregations even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will investigate alternative procedures which will improve our system of internal controls.

Conclusion - Response accepted.

**Part II: Other Findings Related to Required Statutory Reporting:**

04-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

04-II-B Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the amounts budgeted.

04-II-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

04-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

04-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

RUDD-ROCKFORD-MARBLE ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2004

**Part II: Other Findings Related to Required Statutory Reporting:**  
**(continued) :**

04-II-G      Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

04-II-H      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

04-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

04-II-J      Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

04-II-K      Financial Condition - We noted that the District's School Nutrition Fund had a deficit fund balance of \$29,074 at June 30, 2004. The District's Debt Service Fund had a deficit balance of \$51,485 at June 30, 2004.

Recommendation - We recommend that the District investigate alternatives to return these funds to a sound financial position.

Response - We will investigate alternatives as recommended.

Conclusion - Response accepted.

04-II-L      Public Hearing - The District approved a window replacement project in February, 2004. The total amount of the project exceeded \$120,000. No public hearing was held prior to the awarding of the bid.

Recommendation - We recommend that the District hold public hearings whenever a building/improvement project exceed \$25,000 in order to comply with the Code of Iowa.

Response - We will hold hearings on future projects.

Conclusion - Response accepted.

